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CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 503

Introduced by Assembly Members Wieckowski and Bonta
(Coauthor: Senator Beall)

February 20, 2013

An act to amend Sections 127280, and 129050 of, to add Chapter 2.6 (commencing with Section 127470) to Part 2 of Division 107 of, and to repeal Article 2 (commencing with Section 127340) of Chapter 2 of Part 2 of Division 107 of, the Health and Safety Code, relating to health facilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 503, as amended, Wieckowski. Health facilities: community benefits.

Existing law makes certain findings and declarations regarding the social obligation of private nonprofit hospitals to provide community benefits in the public interest, and requires these hospitals, among other responsibilities, to adopt and update a community benefits plan for providing community benefits either alone, in conjunction with other health care providers, or through other organizational arrangements.

Existing law requires each private nonprofit hospital, as defined, to complete a community needs assessment, as defined, and to thereafter update the community needs assessment at least once every 3 years. Existing law also requires the hospital to file a report on its community benefits plan and the activities undertaken to address community needs with the Office of Statewide Health Planning and Development. Existing law requires the statewide office to make the plans available to the public. Existing law requires that each hospital include in its community benefits plan measurable objectives and specific benefits.

This bill would declare the necessity of establishing uniform standards for reporting the amount of charity care and community benefits a facility provides to ensure that private nonprofit hospitals and nonprofit multispecialty clinics actually meet the social obligations for which they receive favorable tax treatment, among other findings and declarations.

This bill would require a private nonprofit hospital and nonprofit multispecialty clinic, as defined, to provide community benefits to the public by allocating available community benefit moneys to charity health care, as defined, and community building activities, as specified. The bill would, by January 1, 2017, require a private nonprofit hospital ~~and or~~ nonprofit multispecialty clinic to develop, in collaboration with the community benefits planning committee, as established, a community *health needs assessment that evaluates the health needs and resources of the community*. *The bill would also require these entities, prior to completing the needs assessment, to develop a community benefits statement and a description of the process for approval of the community benefits-statement plan by the hospital's or clinic's governing board, as specified.* ~~This bill would require the hospital or clinic, no later than 30 days prior to adopting a community benefits plan, to complete a community needs assessment, as provided.~~ The bill would authorize the hospital or clinic to create a community benefits advisory committee for the purpose of soliciting community input. This bill would require the hospital or clinic to make available to the public a copy of the assessment, file the assessment with the Office of Statewide Health Planning and Development, and update the assessment at least every 3 years.

This bill would also require a private nonprofit hospital and nonprofit multispecialty clinic, by April 1, 2017, to develop a community benefits plan that includes a summary of the needs assessment and a statement of the community health care needs that will be addressed by the plan,

and list the services, as provided, that the hospital or clinic intends to provide in the following year to address community health needs identified in the community health needs assessments. The bill would require the hospital or clinic to make its community health needs assessment and community benefits plan or community health plan available to the public on its Internet Web site and would require that a copy of the assessment and plan be given free of charge to any person upon request.

This bill would require a private nonprofit hospital or nonprofit multispecialty clinic, after April 1, 2017, every 2 years to submit a community benefits plan to the Office of Statewide Health Planning and Development, as specified, and would allow a hospital or clinic under the common control of a single corporation or other entity to file a consolidated plan, as provided. The bill would require that the governing board of each hospital or clinic adopt the community benefits plan and make it available to the public, as specified.

This bill would require the Office of Statewide Health Planning and Development to develop and adopt regulations to prescribe a standardized format for community benefits plans, as provided, to provide technical assistance to help private nonprofit hospitals and nonprofit multispecialty clinics exempt from licensure comply with the community benefits provisions, to make public each community health needs assessment and community benefits plan and any comments received regarding those assessments and plans, to maintain a public calendar of community benefit plan adoption meetings, and to calculate and make public the total value of community benefits provided by hospitals, as specified. This bill would authorize the Office of Statewide Health Planning and Development to assess a civil penalty, as provided, against any hospital or clinic that fails to comply with these provisions. This bill would make conforming changes.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 127280 of the Health and Safety Code
- 2 is amended to read:
- 3 127280. (a) Every health facility licensed pursuant to Chapter
- 4 2 (commencing with Section 1250) of Division 2, except a health
- 5 facility owned and operated by the state, shall each year be charged

1 a fee established by the office consistent with the requirements of
2 this section.

3 (b) Commencing in calendar year 2004, every freestanding
4 ambulatory surgery clinic, as defined in Section 128700, shall each
5 year be charged a fee established by the office consistent with the
6 requirements of this section.

7 (c) The fee structure shall be established each year by the office
8 to produce revenues equal to the appropriation made in the annual
9 Budget Act or another statute to pay for the functions required to
10 be performed by the office pursuant to this chapter, Chapter 2.6
11 (commencing with Section 127470), or Chapter 1 (commencing
12 with Section 128675) of Part 5, and to pay for any other
13 health-related programs administered by the office. The fee shall
14 be due on July 1 and delinquent on July 31 of each year.

15 (d) The fee for a health facility that is not a hospital, as defined
16 in subdivision (c) of Section 128700, shall be not more than 0.035
17 percent of the gross operating cost of the facility for the provision
18 of health care services for its last fiscal year that ended on or before
19 June 30 of the preceding calendar year.

20 (e) The fee for a hospital, as defined in subdivision (c) of Section
21 128700, shall be not more than 0.035 percent of the gross operating
22 cost of the facility for the provision of health care services for its
23 last fiscal year that ended on or before June 30 of the preceding
24 calendar year.

25 (f) The fee for a freestanding ambulatory surgery clinic shall
26 be established at an amount equal to the number of ambulatory
27 surgery data records submitted to the office pursuant to Section
28 128737 for encounters in the preceding calendar year multiplied
29 by not more than fifty cents (\$0.50).

30 (g) There is hereby established the California Health Data and
31 Planning Fund within the office for the purpose of receiving and
32 expending fee revenues collected pursuant to this chapter.

33 (h) Any amounts raised by the collection of the special fees
34 provided for by subdivisions (d), (e), and (f) that are not required
35 to meet appropriations in the Budget Act for the current fiscal year
36 shall remain in the California Health Data and Planning Fund and
37 shall be available to the office in succeeding years when
38 appropriated by the Legislature in the annual Budget Act or another
39 statute, for expenditure under the provisions of this chapter,
40 Chapter 2.6 (commencing with Section 127470), and Chapter 1

1 (commencing with Section 128675) of Part 5, or for any other
2 health-related programs administered by the office, and shall reduce
3 the amount of the special fees that the office is authorized to
4 establish and charge.

5 (i) (1) No health facility liable for the payment of fees required
6 by this section shall be issued a license or have an existing license
7 renewed unless the fees are paid. A new, previously unlicensed,
8 health facility shall be charged a pro rata fee to be established by
9 the office during the first year of operation.

10 (2) The license of any health facility, against which the fees
11 required by this section are charged, shall be revoked, after notice
12 and hearing, if it is determined by the office that the fees required
13 were not paid within the time prescribed by subdivision (c).

14 SEC. 2. Article 2 (commencing with Section 127340) of
15 Chapter 2 of Part 2 of Division 107 of the Health and Safety Code
16 is repealed.

17 SEC. 3. Chapter 2.6 (commencing with Section 127470) is
18 added to Part 2 of Division 107 of the Health and Safety Code, to
19 read:

20
21 CHAPTER 2.6. COMMUNITY BENEFITS

22
23 Article 1. Hospital Community Benefits

24
25 127470. (a) The Legislature finds and declares the following:

26 (1) Access to health care services is of vital concern to the
27 people of California.

28 (2) Health care providers play an important role in providing
29 essential health care services in the communities they serve.

30 (3) Notwithstanding public and private efforts to increase access
31 to health care, the people of California continue to have significant
32 unmet health needs. Studies indicate that as many as 6.9 million
33 Californians are uninsured during a year.

34 (4) The state has a substantial interest in ensuring that the unmet
35 health needs of its residents are addressed. Health care providers
36 can help address these needs by providing charity care and
37 community benefits to the uninsured and underinsured members
38 of their communities.

39 (5) Hospitals have different roles in the community depending
40 on their mission, governance, tax status, and articles of

1 incorporation. Private hospitals that are investor owned and have
2 for-profit tax status pay property taxes, corporate income taxes,
3 and other taxes, such as unemployment insurance, on a different
4 basis than nonprofit, district, or public hospitals. Nonprofit health
5 facilities, including hospitals and multispecialty clinics, as
6 described in subdivision (l) of Section 1206, receive favorable tax
7 treatment by the government and, in exchange, assume a social
8 obligation to provide charity care and other community benefits
9 in the public interest.

10 (b) It is the intent of the Legislature in enacting this chapter to
11 provide uniform standards for reporting the amount of charity care
12 and community benefits provided to ensure that private nonprofit
13 hospitals and multispecialty clinics operated by nonprofit
14 corporations, as described in subdivision (l) of Section 1206,
15 actually meet the social obligations for which they receive
16 favorable tax treatment.

17 127472. The following definitions apply for the purposes of
18 this chapter:

19 (a) “Community” means the service area or patient population
20 for which a private nonprofit hospital or nonprofit multispecialty
21 clinic provides health care services. A private nonprofit hospital
22 or nonprofit multispecialty clinic may not define its service area
23 to exclude medically underserved, low-income, or minority
24 populations who are part of its patient populations, live in
25 geographic areas in which its patient populations reside, otherwise
26 should be included based on the method the hospital facility uses
27 to define its community, or populations described in subdivision
28 (l).

29 (b) (1) “Community benefits” means the unreimbursed goods,
30 services, activities, programs, and other resources provided by a
31 private nonprofit hospital or nonprofit multispecialty clinic that
32 addresses community-identified health needs and concerns,
33 particularly for people who are uninsured, underserved, or members
34 of a vulnerable population. Community benefits include, but are
35 not limited to, charity care, the cost of community building
36 activities, the cost of community health improvement services and
37 community benefit operations, the cost of school health centers,
38 as defined in Section 124174, ~~and~~ the cost of health professions
39 education *and training* provided without charge to community
40 members or participants, subsidized health services for vulnerable

1 populations, research, *and* contributions to community groups,
2 and community building activities.

3 (A) ~~“Community benefits may include any of the following,~~
4 ~~provided that the provision, funding, or financial support of these~~
5 ~~benefits is demonstrated to reduce community health care~~
6 ~~costs: vaccination programs and services for low-income families,~~
7 ~~school health centers, as defined in Section 124174, chronic illness~~
8 ~~prevention programs and services, nursing and caregiver training~~
9 ~~provided without assessment of fees or payment of tuition,~~
10 ~~home-based health care programs for low-income families, or~~
11 ~~community-based mental health and outreach and assessment~~
12 ~~programs for low-income families. For purposes of this~~
13 ~~subparagraph, “low-income families” means families or individuals~~
14 ~~with income less than or equal to 350 percent of the federal poverty~~
15 ~~level.~~

16 (B) ~~“Community~~

17 (2) *For purposes of this subdivision, “community building*
18 *activities” means the cost of various kinds of community building*
19 *activities, including physical improvements and housing, economic*
20 *development, community support, environmental improvements,*
21 *community health improvement advocacy, coalition building,*
22 *workforce development, and leadership development and training*
23 *for community members.*

24 (i) ~~“Physical improvements and housing” include, but are not~~
25 ~~limited to, the provision or rehabilitation of housing for vulnerable~~
26 ~~populations, such as removing building materials that harm the~~
27 ~~health of the residents, neighborhood improvement or revitalization~~
28 ~~projects, provision of housing for vulnerable patients upon~~
29 ~~discharge from an inpatient facility, housing for low-income~~
30 ~~seniors, and the development or maintenance of parks and~~
31 ~~playgrounds to promote physical activity.~~

32 (ii) ~~“Economic development” may include, but is not limited~~
33 ~~to, assisting small business development in neighborhoods with~~
34 ~~vulnerable populations and creating new employment opportunities~~
35 ~~in areas with high rates of joblessness.~~

36 (iii) ~~“Community support” may include, but is not limited to,~~
37 ~~child care and mentoring programs for vulnerable populations or~~
38 ~~neighborhoods, neighborhood support groups, violence prevention~~
39 ~~programs, and disaster readiness and public health emergency~~
40 ~~activities, such as community disease surveillance or readiness~~

1 training beyond what is required by accrediting bodies or
2 government entities.

3 (iv) “Environmental improvements” include, but are not limited
4 to, activities to address environmental hazards that effect
5 community health, such as alleviation of water or air pollution,
6 safe removal or treatment of garbage or other waste products, and
7 other activities to protect the community from environmental
8 hazards. This does not include expenditures made to comply with
9 environmental laws and regulations that apply to activities of itself,
10 its disregarded entity or entities, a joint venture in which it has an
11 ownership interest, or a member of a group exemption included
12 in a group return of which the private nonprofit hospital or
13 nonprofit multispecialty clinic is also a member. This also does
14 not include expenditures made to reduce the environmental hazards
15 caused by, or the environmental impact of, its own activities, or
16 those of its disregarded entities, joint ventures, or group exemption
17 members, unless the expenditures are for an environmental
18 improvement activity that (I) is provided for the primary purpose
19 of improving community health; (II) addresses an environmental
20 issue known to affect community health; and (III) is subsidized
21 by the organization at a net loss.

22 (v) “Leadership development and training for community
23 members” includes, but is not limited to, training in conflict
24 resolution; civic, cultural, or language skills; and medical
25 interpreter skills for community residents.

26 (vi) “Coalition building” includes, but is not limited to,
27 participation in community coalitions and other collaborative
28 efforts with the community to address health and safety issues.

29 (vii) “Community health improvement advocacy” includes, but
30 is not limited to, efforts to support policies and programs to
31 safeguard or improve public health, access to health care services,
32 housing, the environment, and transportation.

33 (viii) “Workforce development” includes, but is not limited to,
34 recruitment of physicians and other health professionals to medical
35 shortage areas or other areas designated as underserved, and
36 collaboration with educational institutions to train and recruit health
37 professionals needed in the community.

38 (C) (1) “Charity

39 (3) (A) *For purposes of this subdivision, “charity care” means*
40 *the unreimbursed cost to a private nonprofit hospital or nonprofit*

1 multispecialty clinic of providing services to the uninsured or
2 underinsured, as well as providing funding or otherwise financially
3 supporting any of the following:

4 ~~(A)~~ *Health* health care services or items on an inpatient or
5 outpatient basis to a financially qualified patient, *as defined in*
6 *Section 127400*, with no expectation of payment.

7 ~~(B)~~ Health care services or items provided to a financially
8 qualified patient through other nonprofit or public outpatient
9 clinics, hospitals, or health care organizations with no expectation
10 of payment.

11 ~~(2)~~

12 (B) Charity care does not include any of the following:

13 ~~(A)~~

14 (i) Uncollected fees or accounts written off as bad debt.

15 ~~(B)~~

16 (ii) Care provided to patients for which a public program or
17 public or private grant funds pay for any of the charges for the
18 care.

19 ~~(C)~~

20 (iii) Contractual adjustments in the provision of health care
21 services below the amount identified as gross charges or
22 “chargemaster” rates by the health care provider.

23 ~~(D)~~

24 (iv) Any amount over 125 percent of the Medicare rate for the
25 health care services or items provided on an inpatient or outpatient
26 basis.

27 ~~(E)~~

28 (v) Any amount over 125 percent of the Medicare rate for
29 providing, funding, or otherwise financially supporting health care
30 services or items with no expectation of payment provided to
31 financially qualified patients through other nonprofit or public
32 outpatient clinics, hospitals, or health care organizations.

33 ~~(F)~~

34 (vi) The cost to a nonprofit hospital of paying a tax or other
35 governmental assessment.

36 ~~(3)~~

37 (4) “Community benefits” does not mean the unreimbursed cost
38 of providing services to those enrolled in Medi-Cal, Medicare,
39 California Childrens Services Program, or county indigent
40 programs or any goods, services, activities, programs, or other

1 resources program or activity for which there is direct offsetting
2 revenue.

3 ~~(e) “Community benefits plan” means the written document~~
4 ~~prepared for annual submission to the office that includes, but is~~
5 ~~not limited to, a description of the activities that the private~~
6 ~~nonprofit hospital or nonprofit multispecialty clinic has undertaken~~
7 ~~to address identified community needs within its mission and~~
8 ~~financial capacity, and the process by which the hospital or clinic~~
9 ~~develops the plan in consultation with the community.~~

10 (d) (1) “Community benefits planning committee” means a
11 committee, designated by a private nonprofit hospital or nonprofit
12 multispecialty clinic, that oversees the community needs
13 assessment and the development of the community benefits plan
14 implementation strategy to meet the community health needs
15 identified through the community health needs assessment.

16 (2) The community benefits planning committee shall be
17 composed of the following:

18 (A) One of the following:

19 (i) The governing board of the hospital organization that operates
20 the hospital facility or a committee or other party authorized by
21 that governing body to the extent that the committee or other party
22 is permitted under state law to act on behalf of the governing body.

23 (ii) If the hospital facility has its own governing body and is
24 recognized as an entity under state law but is a disregarded entity
25 for federal tax purposes, the governing body of that hospital facility
26 or other committee or party authorized by that governing body to
27 the extent that the committee or other party is permitted under state
28 law to act on behalf of the governing body.

29 (B) At least one individual from the local, tribal, or regional
30 governmental public health department, or an equivalent
31 department or agency, with knowledge, information, or expertise
32 relevant to the health needs of that community.

33 (C) At least one individual from an underserved and vulnerable
34 ~~population, as defined in Section 127400~~ *population*.

35 ~~(e) “Community health needs assessment” means the process~~
36 ~~by which the private nonprofit hospital or nonprofit multispecialty~~
37 ~~clinic identifies, for its service area as determined by the hospital~~
38 ~~or clinic, unmet community needs.~~

39 (f)

1 (e) “Discounted care” means the cost for medical care provided
2 consistent with Article 1 (commencing with Section 127400) of
3 Chapter 2.5.

4 ~~(g)~~

5 (f) (1) “Direct offsetting revenue” means revenue from goods,
6 services, activities, programs, or other resources that offsets the
7 total community benefit expense of the goods, services, activities,
8 programs, or other resources.

9 ~~(2) Direct offsetting revenue~~ “Direct offsetting revenue”
10 includes revenue generated by the goods, services, activities,
11 programs, or other resources, including, but not limited to, payment
12 or reimbursement for services provided to program patients as well
13 as restricted grants or contributions that the private nonprofit
14 hospital or nonprofit multispecialty clinic uses to provide a
15 community benefit, such as a restricted grant to provide financial
16 assistance or fund research.

17 (3) “Direct offsetting revenue” does not include unrestricted
18 grants or contributions that the private nonprofit hospital or
19 nonprofit multispecialty clinic uses to provide a community benefit.

20 ~~(h) “Free care” means the unreimbursed cost for medical care~~
21 ~~for a patient who cannot afford to pay for care provided consistent~~
22 ~~with Article 1 (commencing with Section 127400) of Chapter 2.5.~~

23 ~~(i)~~

24 (g) “Nonprofit multispecialty clinic” means a clinic as described
25 in subdivision (l) of Section 1206.

26 ~~(j)~~

27 (h) “Office” means the Office of Statewide Health Planning and
28 Development.

29 ~~(k)~~

30 (i) “Private nonprofit hospital” means a private nonprofit acute
31 care hospital operated or controlled by a nonprofit corporation, as
32 defined in Section 5046 of the Corporations Code, that has been
33 determined to be exempt from taxation under the Internal Revenue
34 Code. For purposes of this chapter, “private nonprofit hospital”
35 does not include any of the following:

36 (1) A district hospital organized and governed pursuant to the
37 Local Health Care District Law (Division 23 (commencing with
38 Section 32000)) *or a nonprofit corporation that is affiliated with*
39 *the health care district hospital owner by means of the district’s*
40 *status as the nonprofit corporation’s sole corporate member*

1 *pursuant to subparagraph (B) of paragraph (1) of subdivision (h)*
2 *of Section 14169.31 of the Welfare and Institutions Code.*

3 (2) A rural general acute care hospital, as defined in subdivision
4 (a) of Section 1250.

5 (3) A children's hospital, as defined in Section 10727 of the
6 Welfare and Institutions Code.

7 (4) A multispecialty clinic operated by a for-profit hospital,
8 regardless of its net revenue.

9 ~~(f)~~

10 (j) "Underserved and vulnerable population" means any of the
11 following:

12 (1) A population that is exposed to medical or financial risk by
13 virtue of being uninsured, underinsured, or eligible for Medi-Cal
14 or a county indigent program.

15 (A) "Uninsured" means a self-pay patient as defined in Section
16 127400.

17 (B) "Underinsured" means a patient with high medical costs,
18 as defined in Section 127400.

19 (2) A population, including, but not limited to, the following:

20 (A) Individuals with low educational attainment as measured
21 by the percentage of the population over 25 years of age with less
22 than a high school diploma.

23 (B) Individuals who suffer from linguistic isolation as measured
24 by the percentage of households in which no one who is 14 years
25 of age or older speaks English very well, ~~or as defined in Section~~
26 ~~39711 well.~~

27 ~~(C) Individuals who are 10 years of age or younger, individuals~~
28 ~~who are over 65 years of age, and underserved minority populations~~
29 ~~as long as the factors described in subparagraph (A) or (B) are~~
30 ~~met.~~

31 (3) *A population that meets the definition of disadvantaged*
32 *community pursuant to Section 39711.*

33 (4) *Other populations that are specifically identified in the*
34 *community health needs assessment required pursuant to Section*
35 *127475.*

36 ~~127473. A private nonprofit hospital or a nonprofit~~
37 ~~multispecialty clinic that reports community benefits to the~~
38 ~~community shall report on those community benefits in a consistent~~
39 ~~and comparable manner to all other private nonprofit hospitals and~~
40 ~~nonprofit multispecialty clinics.~~

1 ~~127474. A private nonprofit hospital or a nonprofit~~
2 ~~multispecialty clinic shall make its community health needs~~
3 ~~assessment and community benefits plan available to the public~~
4 ~~on its Internet Web site. A copy of the assessment and plan shall~~
5 ~~be given free of charge to any person upon request.~~

6
7 Article 2. Community Benefits Statement, Community *Health*
8 Needs Assessment, and Community Benefits Plan
9

10 ~~127475.~~

11 ~~127473.~~ (a) Private nonprofit hospitals and nonprofit
12 multispecialty clinics shall provide community benefits to the
13 community as follows:

14 (1) A minimum of 90 percent of the available community benefit
15 moneys shall be allocated to ~~charity care and projects~~ *community*
16 *benefits* that improve community health for underserved and
17 vulnerable populations *or that address a specific need identified*
18 *in the community health needs assessment required pursuant to*
19 *Section 127475. For purposes of this paragraph, community*
20 *benefits that improve community health for underserved and*
21 *vulnerable populations may include activities, including health*
22 *professions education and training, that are not provided*
23 *exclusively to underserved and vulnerable populations, if the*
24 *activity will improve community health for underserved and*
25 *vulnerable populations.*

26 (2) A minimum of 25 percent of the available community benefit
27 moneys shall be allocated to community building activities
28 geographically located within underserved and vulnerable
29 populations.

30 (3) To meet the requirements of paragraphs (1) and (2), moneys
31 shall be used for projects that simultaneously meet both criteria.

32 ~~(b) By January 1, 2017, each private nonprofit hospital and each~~
33 ~~nonprofit multispecialty clinic shall develop, in collaboration with~~
34 ~~the community benefits planning committee, all of the following:~~

35 ~~(1) A community benefits statement that describes the hospital's~~
36 ~~or clinic's commitment to developing, adopting, and implementing~~
37 ~~a community benefits program. The hospital's or clinic's governing~~
38 ~~board shall document that it has reviewed the clinic's~~
39 ~~organizational mission statement and considered amendments to~~

1 ~~it that would better align that organizational mission statement~~
2 ~~with the community benefits statement.~~

3 ~~(2) A description of the process for approval of the community~~
4 ~~benefits statement by the hospital's or clinic's governing board,~~
5 ~~including a declaration that the board and administrators of the~~
6 ~~hospital or clinic shall be responsible for oversight and~~
7 ~~implementation of the community benefits plan. The board may~~
8 ~~establish a community benefits implementation committee that~~
9 ~~shall include members of the board, senior administrators, and~~
10 ~~community stakeholders.~~

11 ~~(3) A community health needs assessment pursuant to Section~~
12 ~~127476 that evaluates the health needs and resources of the~~
13 ~~community it serves.~~

14 ~~(c) By April 1, 2017, a private nonprofit hospital or nonprofit~~
15 ~~multispecialty clinic shall develop, in collaboration with the~~
16 ~~community, a community benefits plan pursuant to Section 127477~~
17 ~~designed to achieve all of the following outcomes:~~

18 ~~(1) Access to health care for members of underserved and~~
19 ~~vulnerable populations.~~

20 ~~(2) The addressing of essential health care needs of the~~
21 ~~community, with particular attention to the needs of members of~~
22 ~~underserved and vulnerable populations.~~

23 ~~(3) The creation of measurable improvements in the health of~~
24 ~~the community, with particular attention to the needs of members~~
25 ~~of underserved and vulnerable populations.~~

26 *127474. Prior to completing the community health needs*
27 *assessment pursuant to Section 127475, a private nonprofit hospital*
28 *or a nonprofit multispecialty clinic shall develop, in collaboration*
29 *with the community benefits planning committee, all of the*
30 *following:*

31 *(a) A community benefits statement that describes the hospital's*
32 *or clinic's commitment to developing, adopting, and implementing*
33 *a community benefits program. The hospital's or clinic's governing*
34 *board shall document that it has reviewed the hospital's or clinic's*
35 *organizational mission statement and considered amendments to*
36 *it that would better align that organizational mission statement*
37 *with the community benefits statement.*

38 *(b) A description of the process for approval of the community*
39 *benefits plan by the hospital's or clinic's governing board,*
40 *including a declaration that the board and administrators of the*

1 *hospital or clinic shall be responsible for oversight and*
2 *implementation of the community benefits plan. The board may*
3 *establish a community benefits implementation committee that*
4 *shall include members of the board, senior administrators, and*
5 *community stakeholders.*

6 ~~127476. (a) Prior to adopting a community benefits plan, a~~
7 ~~private nonprofit hospital or nonprofit multispecialty clinic shall~~
8 ~~complete a community needs assessment that evaluates the health~~
9 ~~needs and resources of the community served by the hospital or~~
10 ~~clinic that is designed to achieve the outcomes specified in~~
11 ~~subdivision (c) of Section 127475.~~

12 *127475. (a) By January 1, 2017, a private nonprofit hospital*
13 *or nonprofit multispecialty clinic shall develop, in collaboration*
14 *with the community benefits planning committee, a community*
15 *health needs assessment that evaluates the health needs and*
16 *resources of the community it serves.*

17 (b) In conducting its community health needs assessment, a
18 private nonprofit hospital or nonprofit multispecialty clinic shall
19 solicit comments from and meet with local government officials,
20 including representatives of local public health departments. A
21 private nonprofit hospital or nonprofit multispecialty clinic shall
22 also solicit comments from and meet with health care providers,
23 registered nurses, community groups representing, among others,
24 patients, labor, seniors, and consumers, and other health-related
25 organizations. Particular attention shall be given to persons who
26 are themselves underserved and who work with underserved and
27 vulnerable populations. Particular attention shall also be given to
28 identifying local needs to address racial and ethnic disparities in
29 health outcomes. A private nonprofit hospital or nonprofit
30 multispecialty clinic may create a community benefits advisory
31 committee for the purpose of soliciting community input.

32 (c) In preparing its community health needs assessment, a private
33 nonprofit hospital or nonprofit multispecialty clinic shall use
34 available public health data. A private nonprofit hospital or
35 nonprofit multispecialty clinic may collaborate with other facilities
36 and health care institutions in conducting community health needs
37 assessments and may make use of existing studies in completing
38 their own needs assessments.

39 (d) Not later than 30 days prior to completing a community
40 health needs assessment, a private nonprofit hospital or nonprofit

1 multispecialty clinic shall make available to the public a copy of
2 the assessment for review and comment.

3 (e) A community health needs assessment shall be filed with
4 the office. A private nonprofit hospital or a nonprofit multispecialty
5 clinic shall update its community needs assessment at least every
6 three years.

7 ~~127477.~~

8 *127476. (a) By April 1, 2017, a private nonprofit hospital or*
9 *nonprofit multispecialty clinic shall develop, in collaboration with*
10 *the community, a community benefits plan that conforms with this*
11 *chapter, designed to achieve all of the following outcomes:*

12 *(1) Access to health care for members of underserved and*
13 *vulnerable populations.*

14 *(2) Addressing of the essential health care needs of the*
15 *community, with particular attention to the needs of members of*
16 *underserved and vulnerable populations.*

17 *(3) Creation of measurable improvements in the health of the*
18 *community, with particular attention to the needs of members of*
19 *underserved and vulnerable populations.*

20 (b) In developing a community benefits plan, a private nonprofit
21 hospital or nonprofit multispecialty clinic shall solicit comments
22 from and meet with local government officials, including
23 representatives of local public health departments. A private
24 nonprofit hospital or nonprofit multispecialty clinic shall also
25 solicit comments from and meet with health care providers,
26 community groups representing, among others, patients, labor,
27 seniors, and consumers, and other health-related organizations.
28 Particular attention shall be given to persons who are themselves
29 underserved, who work with underserved and vulnerable
30 populations, ~~and who work~~ or with populations at risk for racial
31 and ethnic disparities in health outcomes.

32 (c) A community benefits plan shall include, at a minimum, all
33 of the following:

34 (1) A summary of the needs assessment and a statement of the
35 community health care needs that will be addressed by the plan.

36 (2) A list of the services the private nonprofit hospital or
37 nonprofit multispecialty clinic intends to provide in the following
38 year to address community health needs identified in the
39 community health needs assessments. The list of services shall be
40 categorized under the following:

1 (A) Charity care, as defined in subdivision (b) of Section
2 127472.

3 (B) Other community benefits, including community health
4 improvement services and community benefit operations, health
5 professions education, subsidized health services, research, and
6 contributions to community groups.

7 (C) Community building activities targeting underserved and
8 vulnerable populations.

9 (3) A description of the target community or communities that
10 the plan is intended to benefit.

11 (4) An estimate of the economic value of the community benefits
12 that the private nonprofit hospital or nonprofit multispecialty clinic
13 intends to provide.

14 (5) A summary of the process used to elicit community
15 participation in the community health needs assessment and
16 community benefits plan design, and a description of the process
17 for ongoing participation of community members in plan
18 implementation and oversight, and a description of how the
19 assessment and plan respond to the comments received by the
20 private nonprofit hospital or nonprofit multispecialty clinic from
21 the community.

22 (6) A list of individuals, organizations, and government officials
23 consulted during the development of the plan.

24 (7) A description of the intended impact on health outcomes
25 attributable to the plan, including short- and long-term measurable
26 goals and objectives.

27 (8) Mechanisms to evaluate the plan's effectiveness.

28 (9) The name and title of the individual responsible for
29 implementing the plan.

30 (10) The names of individuals on the private nonprofit hospital's
31 or nonprofit multispecialty clinic's governing board.

32 (11) If applicable, a report on the community benefits efforts
33 of the preceding year, including the amounts and types of
34 community benefits provided, in a manner to be prescribed by the
35 office; a statement of the plan's impact on health outcomes,
36 including a description of the private nonprofit hospital's or
37 nonprofit multispecialty clinic's progress toward meeting its short-
38 and long-term goals and objectives; and an evaluation of the plan's
39 effectiveness.

(d) A private nonprofit hospital or nonprofit multispecialty clinic may also report on bad debts, Medicare shortfalls, Medi-Cal shortfalls, and shortfalls from any other public program. Reporting bad debts, Medicare shortfalls, Medi-Cal shortfalls, and other shortfalls from any other public program shall not be reported as community benefits and shall be calculated based on hospital costs, not charges.

(e) The governing board of a private nonprofit hospital or nonprofit multispecialty clinic shall adopt the community benefits plan at a meeting that is open to the public. No later than 30 days prior to the plan's adoption by the governing board of the private nonprofit hospital or nonprofit multispecialty clinic, a private nonprofit hospital or nonprofit multispecialty clinic shall make available to the public and to the office, in a printed copy and on its Internet Web site, both of the following:

(1) A draft of its community benefits plan.

(2) Notice of the date, time, and location of the meeting at which the community benefits plan is to be voted on for adoption by the governing board of the private nonprofit hospital or nonprofit multispecialty clinic.

(f) After April 1, 2017, a private nonprofit hospital or nonprofit multispecialty clinic shall, every two years, submit a community benefits plan that conforms with this chapter and subdivisions (b) to (e), inclusive, to the office, no later than 120 days after the end of the hospital's or clinic's fiscal year.

(g) A person or entity may file comments on a private nonprofit hospital's or nonprofit multispecialty clinic's community benefits plan with the office.

(h) A private nonprofit hospital or nonprofit multispecialty clinic, under the common control of a single corporation or another entity, may file a consolidated plan if the plan addresses services in all of the categories listed in paragraph (2) of subdivision (c) to be provided by each hospital or clinic under common control of the corporation or entity.

127477. A private nonprofit hospital or a nonprofit multispecialty clinic that reports community benefits to the community shall report on those community benefits in a consistent and comparable manner to all other private nonprofit hospitals and nonprofit multispecialty clinics.

1 127478. *A private nonprofit hospital or a nonprofit*
2 *multispecialty clinic shall make its community health needs*
3 *assessment and community benefits plan available to the public*
4 *on its Internet Web site. A copy of the assessment and plan shall*
5 *be given free of charge to any person upon request.*

6
7 Article 3. Duties of the Office of Statewide Health Planning
8 and Development
9

10 127487. (a) (1) The office shall develop and adopt regulations
11 to prescribe a standardized format for community benefits plans
12 pursuant to this chapter.

13 (2) The office shall develop a standardized methodology for
14 estimating the economic value of community benefits.

15 (3) In developing standards of reporting on community benefits,
16 the office shall, to the maximum extent possible, conform to
17 Internal Revenue Service reporting standards for those data
18 elements reported to the Internal Revenue Service, but shall also
19 include those data elements required under this chapter or other
20 state law, including charity care, as defined in Section 127400.

21 (4) A private nonprofit hospital or nonprofit multispecialty clinic
22 shall annually file with the office its IRS Form 990, or its successor
23 form, and the office shall post the form on its Internet Web site.

24 (b) The office shall provide technical assistance to help private
25 nonprofit hospitals and nonprofit multispecialty clinics comply
26 with this chapter.

27 (c) The office shall make public a community health needs
28 assessment and community benefits plan and any comments
29 received regarding those assessments and plans. The office shall
30 make these documents available on its Internet Web site.

31 (d) The office shall maintain a public calendar of community
32 benefit adoption meetings held by the governing board of each
33 private nonprofit hospital or nonprofit multispecialty clinic. Notice
34 that includes the Office of Statewide Health Planning and
35 Development (OSHDP) facility number, name, parent company,
36 date, time, and location of each meeting shall be posted no later
37 than 14 days prior to the meeting date.

38 (e) For every ~~other~~ year that a community benefits plan is
39 submitted pursuant to subdivision (f) of Section ~~127477~~, 127476,
40 the office shall ~~annually~~ calculate and make public the total value

1 of community benefits provided by each private nonprofit hospital
2 and nonprofit multispecialty clinic that reports pursuant to this
3 chapter.

4 127488. The office may assess a civil penalty against a private
5 nonprofit hospital or nonprofit multispecialty clinic that fails to
6 comply with this article in the same manner as specified in Section
7 128770.

8 SEC. 4. Section 129050 of the Health and Safety Code is
9 amended to read:

10 129050. A loan shall be eligible for insurance under this chapter
11 if all of the following conditions are met:

12 (a) The loan shall be secured by a first mortgage, first deed of
13 trust, or other first priority lien on a fee interest of the borrower
14 or by a leasehold interest of the borrower having a term of at least
15 20 years, including options to renew for that duration, longer than
16 the term of the insured loan. The security for the loan shall be
17 subject only to those conditions, covenants and restrictions,
18 easements, taxes, and assessments of record approved by the office,
19 and other liens securing debt insured under this chapter. The office
20 may require additional agreements in security of the loan.

21 (b) The borrower obtains an American Land Title Association
22 title insurance policy with the office designated as beneficiary,
23 with liability equal to the amount of the loan insured under this
24 chapter, and with additional endorsements that the office may
25 reasonably require.

26 (c) The proceeds of the loan shall be used exclusively for the
27 construction, improvement, or expansion of the health facility, as
28 approved by the office under Section 129020. However, loans
29 insured pursuant to this chapter may include loans to refinance
30 another prior loan, whether or not state insured and without regard
31 to the date of the prior loan, if the office determines that the amount
32 refinanced does not exceed 90 percent of the original total
33 construction costs and is otherwise eligible for insurance under
34 this chapter. The office may not insure a loan for a health facility
35 that the office determines is not needed pursuant to subdivision
36 (k).

37 (d) The loan shall have a maturity date not exceeding 30 years
38 from the date of the beginning of amortization of the loan, except
39 as authorized by subdivision (e), or 75 percent of the office's

1 estimate of the economic life of the health facility, whichever is
2 the lesser.

3 (e) The loan shall contain complete amortization provisions
4 requiring periodic payments by the borrower not in excess of its
5 reasonable ability to pay as determined by the office. The office
6 shall permit a reasonable period of time during which the first
7 payment to amortization may be waived on agreement by the lender
8 and borrower. The office may, however, waive the amortization
9 requirements of this subdivision and of subdivision (g) of this
10 section when a term loan would be in the borrower's best interest.

11 (f) The loan shall bear interest on the amount of the principal
12 obligation outstanding at any time at a rate, as negotiated by the
13 borrower and lender, as the office finds necessary to meet the loan
14 money market. As used in this chapter, "interest" does not include
15 premium charges for insurance and service charges if any. Where
16 a loan is evidenced by a bond issue of a political subdivision, the
17 interest thereon may be at any rate the bonds may legally bear.

18 (g) The loan shall provide for the application of the borrower's
19 periodic payments to amortization of the principal of the loan.

20 (h) The loan shall contain those terms and provisions with
21 respect to insurance, repairs, alterations, payment of taxes and
22 assessments, foreclosure proceedings, anticipation of maturity,
23 additional and secondary liens, and other matters the office may
24 in its discretion prescribe.

25 (i) The loan shall have a principal obligation not in excess of
26 an amount equal to 90 percent of the total construction cost.

27 (j) The borrower shall offer reasonable assurance that the
28 services of the health facility will be made available to all persons
29 residing or employed in the area served by the facility.

30 (k) The office has determined that the facility is needed by the
31 community to provide the specified services. In making this
32 determination, the office shall do all of the following:

33 (1) Require the applicant to describe the community needs the
34 facility will meet and provide data and information to substantiate
35 the stated needs.

36 (2) Require the applicant, if appropriate, to demonstrate
37 participation in the community needs assessment required by
38 Section 127476.

1 (3) Survey appropriate local officials and organizations to
2 measure perceived needs and verify the applicant's needs
3 assessment.

4 (4) Use any additional available data relating to existing facilities
5 in the community and their capacity.

6 (5) Contact other state and federal departments that provide
7 funding for the programs proposed by the applicant to obtain those
8 departments' perspectives regarding the need for the facility.
9 Additionally, the office shall evaluate the potential effect of
10 proposed health care reimbursement changes on the facility's
11 financial feasibility.

12 (6) Consider the facility's consistency with the Cal-Mortgage
13 state plan.

14 (l) In the case of acquisitions, a project loan shall be guaranteed
15 only for transactions not in excess of the fair market value of the
16 acquisition.

17 Fair market value shall be determined, for purposes of this
18 subdivision, pursuant to the following procedure, that shall be
19 utilized during the office's review of a loan guarantee application:

20 (1) Completion of a property appraisal by an appraisal firm
21 qualified to make appraisals, as determined by the office, before
22 closing a loan on the project.

23 (2) Evaluation of the appraisal in conjunction with the book
24 value of the acquisition by the office. When acquisitions involve
25 additional construction, the office shall evaluate the proposed
26 construction to determine that the costs are reasonable for the type
27 of construction proposed. In those cases where this procedure
28 reveals that the cost of acquisition exceeds the current value of a
29 facility, including improvements, then the acquisition cost shall
30 be deemed in excess of fair market value.

31 (m) Notwithstanding subdivision (i), any loan in the amount of
32 ten million dollars (\$10,000,000) or less may be insured up to 95
33 percent of the total construction cost.

34 In determining financial feasibility of projects of counties
35 pursuant to this section, the office shall take into consideration
36 any assistance for the project to be provided under Section 14085.5
37 of the Welfare and Institutions Code or from other sources. It is
38 the intent of the Legislature that the office endeavor to assist
39 counties in whatever ways are possible to arrange loans that will
40 meet the requirements for insurance prescribed by this section.

- 1 (n) The project's level of financial risk meets the criteria in
- 2 Section 129051.

O